


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS **DATE:** Feb. 12, 2015

FROM: Laurie J. Hansen 

SUBJECT: Open Cities Health Center
Authorization of the Issuance of Bank-Qualified,
Tax-Exempt and Taxable Conduit Revenue Bonds in the
Approximate Amount of \$4,350,000
Resolution No. 4536

Action Requested:

Provide approval for the Port Authority to issue approximately \$4,350,000 of bank-qualified conduit tax-exempt and taxable revenue bonds to be used to refinance a current mortgage on the Open Cities facility located at 409 North Dunlap Street in Saint Paul.

Public Purpose:

The financing will allow Open Cities to more efficiently provide medical programs and services benefitting its patients in Saint Paul.

Business Subsidy:

The proposed issuance of notes is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

Open Cities Health Center is a nonprofit community health care clinic that has been providing all-encompassing health care to Twin Cities' residents since 1967. It provides medical, dental, behavioral health, chiropractic, optometry, podiatry and social services all in one setting.

This financing was previously approved on July 22, 2014 after a public hearing before the Board. At that time, it was expected the financing would be a note privately placed with Sunrise Banks. The financing has subsequently been restructured as health care facility revenue bonds pursuant to a public sale.

Proposal:

Type of Bonds:	The health care facility tax exempt and taxable revenue bonds will be "bank qualified" under Section 265 of the Code. This will allow a bank to hold these notes without a reduction in their effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding.
Rate:	Approximately 4.00%.
Security:	First secured interest and mortgage on the Project in favor of the bondholders, including the land, building and personal property associated with the Project.
Term:	Fifteen-year fully amortizing
Issuer:	Saint Paul Port Authority
Underwriter:	Northland Securities
Underwriter's Counsel:	Dorsey & Whitney
Bond Counsel:	Stinson Leonard Street
Borrower:	Open Cities Health Center
Borrower's Counsel:	Gray Plath Mooty Mooty Bennett
Trustee:	US Bank N.A.

Conduit Financing:

The bonds will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The bondholders will not have the right to demand payment on the bonds out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the bonds pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only.

The Port Authority will receive fees in the amount of 1/8th of a point (\$5,437.50) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

Workforce Implications:

N/A

Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these bonds.

Recommendation:

We recommend authorization to issue approximately \$4,350,000 of bank-qualified conduit tax-exempt and taxable revenue bonds for the Open Cities Health Center.

LJH:ca

Attach.